The Corporation continued to review its role in liquor retailing during the year and directed its energies towards maintaining a business approach to all areas of Corporation activity, keeping in mind the social and economic environment in which it operates. This can only be done through the total co-operation of all levels of staff in the Corporation.

The Corporation acknowledges the positive contribution from all its employees during the past year. The level of success attained must be attributed to the dedication and competence of all staff and the active involvement of each member of the Board of Directors.

Finance

For the fiscal year ended March 31, 1985, the Corporation realized a net income of $72,968,682, an increase of $4,524,188 over the previous year. This income was derived from two sources:

(1) $35,274,838 from sales of spirits, wine and beer through Corporation Liquor Stores and Liquor Agency Stores; and
(2) $37,693,844 through the collection of a Corporation mark-up on beer.

Corporation Liquor Store and Agency Store operations resulted in sales of $79,411,682; a decrease of $599,025 from the previous year. Income from beer commissions totalled $37,693,844; an increase of $5,251,827 over the previous year. Operating and administrative expenses totalled $11,137,103 for the 1984-85 fiscal year; an increase of $502,957 over the previous fiscal year.

Store Operations

Standards of physical appearance in the Corporation's retail facilities were maintained through renovations at Mount Pearl, Bay Roberts, Deer Lake, Churchill Square, Harbour Breton, St. Lawrence, and through the relocation of the St. Anthony store to a shopping mall. To improve service, the hours of opening of the St. Anthony and Baie Verte stores were adjusted; and a policy change was made to allow agency stores to remain open until 11:00 p.m.

In-store merchandizing was a major focus during the year through the supplier display program, local product promotions, and special occasion displays. Reaction to these approaches from customers, employees, and suppliers has been very positive.

Training of employees continued to be emphasized with seminars organized for all Managers and Assistant Managers. Selected Store Managers visited wineries and distilleries in Ontario. The publication, *Wine Canada*, as a product information source, was made available to all staff and to the general public.

The Royal Order of Screechers maintained its popularity, with increased participation from both organized groups and individual tourists visiting the Murray Premises store. A new specialty product price list was developed for the Murrary Premises Store to better enable customers to make selections from the wide range of products available.

Cost reduction and control received significant concentration, with the development of a management system to train Managers in the control of manpower costs. A new system of staff utilization, scheduling, and monitoring was subsequently introduced.

Production and Distribution

The production of case goods in the Bottling Plant increased this year to 122,000 cases. Sales to other provinces were down approximately six percent following the national trends. The sale of spirits declined for the third consecutive year, both Canada-wide and locally.

A major modification to the bottling line for miniatures (50 ml.) was accomplished with the installation of new equipment, permitting the bottling of plastic miniatures in a variety of shapes. This upgrading resulted in the acquisition of new bottling contracts for several suppliers and a production increase of 130%.

The final phase of the industry-wide metric conversion program was completed for all eighteen local products and franchise brands. This activity saw the conversion of the 710 ml. size to 750 ml.

Strikes by the U.K. dock workers and at one of the two Canadian glass manufacturers caused more production rescheduling than in previous years, but major shortages were averted.

Four new pieces of mobile equipment were purchased for the central warehouse to replace obsolete units and improve the efficiency of materials handling.

The Product Supply Division, responsible for the purchase of all alcoholic beverages, assisted in the planning and control of transportation procedures. This year, the division organized the delivery of over 400 forty-foot containers carrying over 600,000 cases of product, valued over $14,000,000 in bond, from all over the world.

Systems Development

A complete review of the Corporation's information systems was initiated and included both current systems and additional requirements for all departments. Recommendations were submitted to the Board of Directors for the installation of suitable computer hardware and the acquisition of software to meet the information processing needs of the Corporation.

Proposals from local suppliers were received in March, 1985, and a detailed evaluation process examined the hardware and systems available, to best serve the Corporation's needs.

Internal Audit

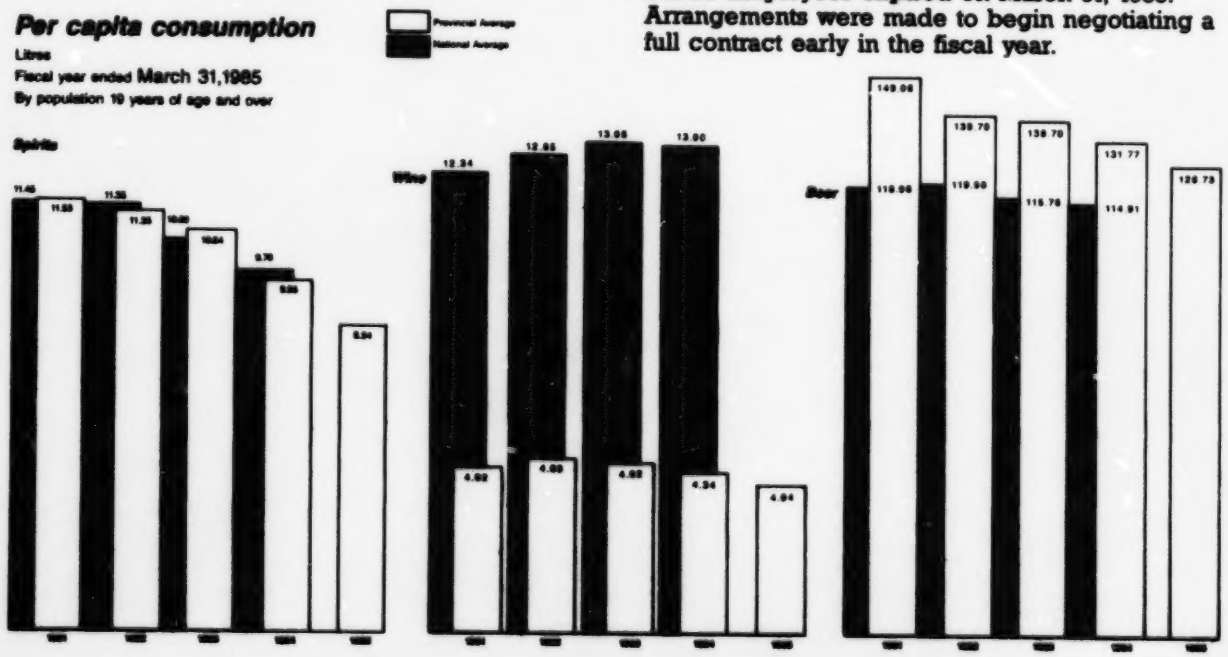
The Internal Audit Department met its objective of visiting all branches and agency stores during the year and continues to make progress in broadening audit coverage in all areas of Corporation activity. As the Department expands its areas of concern, it is able to further meet its basic objective of promoting a more effective and efficient operation throughout the Corporation.

Personnel & Administration

The training and development program was maintained as an important factor towards employee development. All training was supplied either internally or from local sources and for the most part the quality of courses and seminars was very good although the variety was limited. Employees took advantage of the reimbursement policy, especially in the fields of administration and accounting, following the RIA, CGA, and the Memorial University part-time studies and extension programs. All first aid training was covered internally, using a trained employee as course instructor.

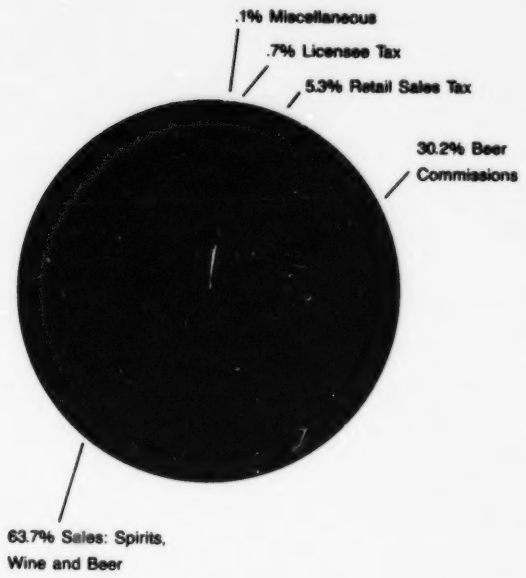
Hiring of new staff was restricted; those positions which had to be filled were, with few exceptions, successfully filled by Corporation employees through promotions.

The Collective Agreement between the Corporation and the Newfoundland Association of Public Employees expired on March 31, 1985. Arrangements were made to begin negotiating a full contract early in the fiscal year.

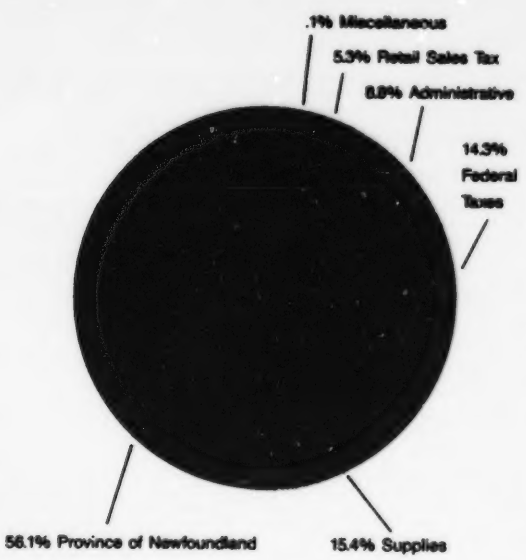


FISCAL YEAR 1984-85

SOURCE OF REVENUE



APPLICATION OF REVENUE



Auditor's Report

To the President and Members
Newfoundland Liquor Corporation
St. John's, Newfoundland

I have examined the balance sheet of the Newfoundland Liquor Corporation as at 31 March 1985 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J.F. McGrath, C.A.
Auditor General

St. John's, Newfoundland
20 September 1985

Balance Sheet, March 31, 1985

Assets

	1985	1984
Current		
Cash	$ 4,388,060	$ 3,939,474
Accounts receivable (Note 2)	754,604	715,626
Beer commissions receivable	3,924,829	3,056,623
Inventories, at cost (Note 3)	11,834,693	10,320,882
Prepaid expenses	134,928	141,634
	21,037,114	18,174,239
Fixed assets, at cost less accumulated depreciation (Notes 1(a) and 4)	2,257,781	2,358,321
Other assets, at cost less accumulated amortization (Notes 1(b) (c) and 5)	510,234	559,325
	$23,805,129	$21,091,885

Liabilities and Retained Earnings

	1985	1984
Current		
Accounts payable	$ 2,406,019	$ 2,540,861
Accrued liabilities (Note 1(d))	3,281,751	3,002,347
Current portion of long-term debt (Note 6)	400,000	400,000
	6,087,770	5,943,208
Long-term debt (Note 6)	2,200,000	2,600,000
	8,287,770	8,543,208
Retained earnings		
Due to Province of Newfoundland	15,517,359	12,548,677
Total liabilities and retained earnings	$23,805,129	$21,091,885

See accompanying notes

Signed on behalf of the Board

President

Director

Statement of Retained Earnings
For the Year Ended March 31,1985

	1985	1984
Balance, beginning of year	$12,548,677	$10,104,183
Net income for the year	72,968,682	68,444,494
	85,517,359	78,548,677
Payments to the Province of Newfoundland	70,000,000	66,000,000
Balance, end of year	15,517,359	12,548,677

Statement of Income
For the Year Ended March 31,1985

	1985	1984
Sales	$79,411,682	$80,010,707
Cost of goods sold		
Inventory, beginning of year	10,320,882	10,174,069
Purchases	35,554,515	34,535,880
Cost of goods available for sale	45,875,397	44,709,949
Less: Inventory, end of year	11,834,693	10,320,882
	34,040,704	34,389,067
Gross profit	45,370,978	45,621,640
Other operating income		
Commission on licensee purchases	910,612	918,277
Miscellaneous	130,351	96,706
	1,040,963	1,014,983
	46,411,941	46,636,623
Expenses		
Administrative and operating (Schedule 1)	11,137,103	10,634,146
Net income from liquor store operations	35,274,838	36,002,477
Commission revenue on sale of beer	37,693,844	32,442,017
Net income for the year	72,968,682	68,444,494

See accompanying notes

Statement of Changes in Financial Position

Year Ended March 31, 1985

	1985	1984
Funds provided:		
From operations		
Net income from liquor store operations	$35,274,838	$36,002,477
Commission revenue on sale of beer	37,693,844	32,442,017
Add (deduct) items not resulting in an inflow (outflow) of funds:		
Depreciation	317,036	301,400
Amortization	141,832	278,982
Gain on disposal of fixed assets	(7,068)	(43,777)
	73,420,462	68,981,099
Proceeds from disposal of fixed assets	17,192	81,294
Proceeds from long-term debentures	—	3,000,000
	73,437,654	72,062,393
Funds applied		
Payments to the Province of Newfoundland	70,000,000	66,000,000
Additions to fixed assets	319,341	734,425
Repayment of bank loan	—	2,000,000
Current portion of long-term debt	400,000	400,000
	70,719,341	69,134,425
Increase in working capital	2,718,313	2,927,968
Working capital, beginning of year	12,231,031	9,303,063
Working capital, end of year	$14,949,344	$12,231,031

See accompanying notes

Administrative and Operating Expenses

Year Ended March 31, 1985

	1985	1984
Salaries and employee benefits	$ 5,981,212	$ 6,156,327
Rent	620,699	537,346
Freight to stores	313,831	304,605
Agency store commissions and expenses	1,375,337	1,306,636
Municipal and school tax	142,716	131,416
Travel	122,601	95,264
Heat and light	273,071	241,242
Cleaning	147,569	136,943
Communications	121,890	117,708
Advertising	11,075	10,195
Computer services	84,751	93,791
Directors' fees and expenses	6,823	3,853
Interest and bank charges	46,945	46,844
Motor vehicle expenses	2,726	3,175
Consultants' fees	419,588	4,735
Security	50,990	48,586
Store supplies and wrapping	70,513	107,189
Stationery and office supplies	97,524	79,213
Postage	26,326	23,793
Repairs and maintenance	217,604	163,111
Inventory breakage and shortage	103,100	107,495
Marketing	38,771	38,864
Dues and subscriptions	7,639	8,404
Insurance	17,761	17,639
Professional fees	10,670	17,099
Depreciation	216,174	208,100
Amortization	139,032	278,381
Uniforms	42,851	51,856
Staff recruitment	9,169	5,502
Staff training	46,894	39,436
Miscellaneous	21,781	16,000
Labour negotiations and grievances	4,341	171
Gain on disposal of fixed assets	(7,068)	(43,777)
Bad debts expense	9,615	19,708
Interest on long-term debt	342,802	238,546
Commission expense	—	18,750
	$11,137,103	$10,634,146

See accompanying notes

NEWFOUNDLAND
LIQUOR
CORPORATION

Honourable Dr. J.F. Collins, F.R.C.P.(E)
Minister of Finance
Government of Newfoundland & Labrador
Confederation Building
St. John's, Newfoundland

Dear Mr. Minister:

I am pleased to submit the 12th annual report of the Newfoundland Liquor Corporation.

The report summarizes the Corporation's activities during the fiscal year ending March 31, 1985 and outlines a financial comparison with the previous year.

We gratefully acknowledge the contribution of all the Corporation's employees whose positive efforts contributed to our progress during the past year.

Yours very truly,

DOUGLAS M. CHAFE, R.I.A.,
President.

P.O. BOX 8750, STATION "A", KENMOUNT ROAD, ST. JOHN'S, NEWFOUNDLAND A1B 3V1 • TELEPHONE (709) 754-1100

1. Accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

(a) Fixed assets are capitalized at cost at the time of acquisition. Depreciation is recorded over the expected useful life of the asset on a straight line basis at the rates indicated in Note 4.

A full year's depreciation is recorded in the year of acquisition while no depreciation is taken on assets disposed of during the year.

The Blending Department's share of depreciation expense amounting to $100,862 ($93,901 in 1984) is allocated to cost of goods sold.

(b) Leasehold improvements are amortized on a straight line basis over the terms of the individual leases which range from 1 to 20 years.

The Blending Department's share of amortization expense amounting to $2,800 is allocated to cost of goods sold.

Following is a schedule of amortization of leasehold improvements by location:

	1985	1984
Head office	$ 20,692	$ 72,896
Other locations	112,843	197,789
	$ 133,535	$ 270,685

(c) Interest in leased land as described in Note 5 is amortized on a straight line basis over the initial 30 year term. The amount charged to operations in 1984 and 1985 was $8,297.

(d) Federal taxes on inventory held in bond at year end are included in head office inventory and related liability accounts. As at 31 March the following amounts were included in accrued liabilities:

	1985	1984
Customs duty	$ 1,459,290	$ 1,747,722
Excise duty	731,939	588,220
Federal Sales Tax	376,557	312,321
	$ 2,567,786	$ 2,648,263

(e) The Corporation is a Crown Corporation and is therefore not subject to either Provincial or Federal income taxes.

2. Accounts receivable

	1985	1984
Trade	$ 330,934	$ 309,873
Claims	372,017	358,366
Other	60,266	66,978
	763,217	735,217
Less: Allowance for doubtful accounts	8,613	19,591
	$ 754,604	$ 715,626

3. Inventories

Inventories, at cost consist of the following:

	1985	1984
Raw materials	$ 815,504	$ 680,391
Head office inventory	3,956,923	3,925,056
Branch stores inventory	3,191,972	2,550,911
Stock in transit	910,579	849,318
Finished goods	2,957,701	2,315,206
Work in process	2,014	—
	$11,834,693	$10,320,882

4. Fixed assets

Fixed assets, at cost less accumulated depreciation consist of the following:

	Depreciation Rate	Cost	Accumulated Depreciation	Net Book Value 1985	Net Book Value 1984
Land	—	$ 185,281	$ —	$ 185,281	$ 185,281
Buildings	5%	2,231,390	652,184	1,579,206	1,646,164
Store equipment and fixtures	20%	607,254	500,666	106,588	110,493
Motor vehicle	33⅓%	11,639	7,759	3,880	7,759
Office furniture and equipment	10 and 20%	372,534	273,747	98,787	80,242
Plant and warehouse equipment	20 and 33⅓%	1,012,437	728,398	284,039	328,382
		$ 4,420,535	$ 2,162,754	$ 2,257,781	$ 2,358,321

5. Other assets

Other assets, at cost less accumulated amortization consist of leasehold improvements plus an interest in leased land as follows:

	Cost	Accumulated Amortization	Net Book Value 1985	Net Book Value 1984
Leasehold improvements	$ 2,039,468	$ 1,744,969	$ 294,499	$ 335,293
Leased land	248,925	33,190	215,735	224,032
	$ 2,288,393	$ 1,778,159	$ 510,234	$ 559,325

The land is leased over an initial 30 year period at an annual rental of $4,800 with options to renew for an additional 140 years.

6. Long-term debt

	1985	1984
A 12¼%, $2,000,000 debenture, issued to the National Trust Company Limited as Trustee for Prudential Insurance Company of America repayable in ten equal consecutive annual principal instalments of $200,000 commencing on 30 June 1984 and semi-annual interest payments on 30 June and 30 December, commencing 30 December 1983. The debenture is guaranteed unconditionally as to principal and interest by the Province of Newfoundland.	$ 1,800,000	2,000,000
An 11⅞%, $1,000,000 debenture, issued to the Mutual Life Assurance Company of Canada repayable in five equal consecutive annual principal instalments of $200,000 commencing on 27 March 1985 and semi-annual interest payments on 27 March and 27 September, commencing 27 September 1984. The debenture is guaranteed unconditionally as to principal and interest by the Province of Newfoundland.	800,000	1,000,000
	2,600,000	3,000,000
Less: current portion	400,000	400,000
	$2,200,000	2,600,000

7. Related party transactions

(a) The Corporation is leasing office and warehouse space rent free from a Crown Corporation, B.L.C. Building Corporation Limited; however, all operating and maintenance costs related to the building are the responsibility of the Corporation.

(b) The Corporation is leasing retail space for its Bell Island branch rent free from the Department of Public Works and Services; however, all operating and maintenance costs related to the building are the responsibility of the Corporation.

(c) The Corporation is leasing a building located in St. John's on Water Street rent free from the Department of Public Works and Services; however, all operating and maintenance costs related to the building are the responsibility of the Corporation.

8. Lease commitments

The Corporation has leases on file with terms ranging from 1 to 20 years covering retail outlets. Annual lease obligations during the next 5 years are as follows:

1986	$ 586,081
1987	502,943
1988	414,214
1989	329,443
1990	252,755
	$2,085,436

9. Comparative figures

Comparative figures have been revised, where necessary, to conform with current year's financial statement presentation.

10. Pensions

The Public Service (Pensions) (Newfoundland Liquor Corporation) Regulations, 1974, made the Corporation and its staff subject to The Public Service (Pensions) Act with effect from 26 June 1973. Pension dues deducted from employees' salaries are matched by the Corporation and then remitted to the Province of Newfoundland (as of 1 July 1980 the Province of Newfoundland Pooled Pension Fund) from which pensions will be paid to employees when they retire.

BOARD OF DIRECTORS

Douglas M. Chafe, R.I.A.
President

Keith Griffiths
Vice-President, Operations

Dorothy Robbins, B.A.
Director

Gilbert C. Gill, C.A.
Director
(Representing Government of Newfoundland,
Treasury Board)

Peter F. Kennedy, B.Comm.
Director
(Representing Government of Newfoundland,
Dept. of Finance)

Cyril Banikhin
Director
(Chairman, Newfoundland Liquor Licensing Board)

Charles W. White, B. Comm., LL.B
Director

Edward P. Poole, Q.C.
Director